

Message Text

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ACTION TRSE-00

INFO OCT-01 AF-10 EUR-12 ISO-00 EB-07 XMB-02 CIAE-00

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PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 COME-00

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C O N F I D E N T I A L KINSHASA 6182

DEPT PLEASE PASS EXIM, TREASURY

E.O. 11652: GDS

TAGS: EFIN, EGEN, CG

SUBJECT: ZAIRE COFFEE AND COPPER EARNINGS

REF: (A) STATE 147927, (B) KINSHASA 5398

1. SUMMARY: AUTHORITATIVE ZAIRIAN SOURCES VARY WIDELY IN THEIR ESTIMATES OF 1977 EXPORT EARNINGS FROM COFFEE AND COPPER. EMBASSY BELIEVES UNCERTAINTY OVER EXPORT EARNINGS STRENGTHENS CASE FOR FOREGOING CONSIDERATION OF RESCHEDULING OF SECOND SEMESTER INTEREST UNTIL AFTER SEPTEMBER IMF REVIEW, WHEN EXPORT PROSPECTS SHOULD BE MORE CLEAR. END SUMMARY.

2. AS PARIS CLUB MEETING APPROACHES, WE REEMPHASIZE UNCERTAINTY REGARDING ZAIRE'S 1977 EXPORT EARNINGS FROM COFFEE AND COPPER. ESTIMATES OFFERED BY AUTHORITATIVE ZAIRIAN SOURCES VARY WIDELY.

3. COFFEE: WE HAVE POINTED OUT THAT IF ALL GOZ ATTEMPTS TO PROMOTE EXPORTS AND REPATRIATE EARNINGS FROM BOTH 1976 AND 1977 COFFEE
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EARNINGS WERE SUCCESSFUL, GROSS 1977 RECEIPTS COULD REACH \$500 MILLION. GOZ CONTROL OFFICE (OZAC) AND COFFEE OFFICE (ONC) HAVE PUBLISHED FIGURES SHOWING FIRST QUARTER EXPORTS OF 25,711 TONS AND AN AVERAGE FIRST QUARTER MERCURIAL PRICE OF \$5/KILO, THEORETICALLY IMPLYING QUARTERLY EXPORT RECEIPTS OF \$128 MILLION. AT THIS RATE EXPORTS FOR THE YEAR WOULD EXCEED \$513 MILLION. WE HAVE INFORMATION FROM OZAC THAT EXPORTS HAVE SINCE DIPPED AND STOOD AT

37,400 TONS AT THE END OF MAY. AT THE SAME PRICE OF \$5/KILO, THEORETICAL EXPORT EARNINGS THROUGH MAY WOULD HAVE BEEN \$187 MILLION, WHICH IF SUSTAINED WOULD MEAN \$450 MILLION FOR THE YEAR (EXCLUDING REPATRIATION FROM 1976 EXPORTS).

4. BANK GOVERNOR SAMBWA HAS GIVEN A MORE GUARDED ASSESSMENT. HE BELIEVES HE WILL ENFORCE FULL REPATRIATION OF EARNINGS FROM 1977 SHIPMENTS AND HOPES THAT HE CAN FORCE REPATRIATION OF MONEY HELD ABROAD FROM 1976 SHIPMENTS. HOWEVER, HE ALSO SAID THAT HE DID NOT THINK ZAIRE WOULD EXPORT MORE THAN 85,000 TONS OF COFFEE (INTERESTINGLY, A FEW MONTHS AGO HE TOLD AMBASSADOR COFFEE EXPORTS WOULD BE ABOUT 50,000 TONS).

5. MOST PESSIMISTIC REPORT COMES FROM ZAIRE'S LARGEST PRIVATE EXPORTER (NGAZAYO) WHO ADVISED COMMERCIAL ATTACHE THAT EXPORTERS IN KIVU WERE FED UP WITH NEW EXPORT TAX AND DELAYS IN APPROVAL OF EXPORT CONTRACTS AND WERE SMUGGLING LARGE QUANTITIES OF COFFEE TO SUDAN IN EXCHANGE FOR GOODS. NGAZAYO ALSO SAID THAT ALL ZAIRIAN COFFEE EXPORTS THROUGH KENYA HAD BEEN STOPPED DUE TO THEFT OF SOME 1,000 TONS OF COFFEE IN KENYA. NGAZAYO CLAIMED THAT DUE TO SMUGGLING, ZAIRE'S OFFICIAL COFFEE EXPORTS MIGHT NOT EXCEED 50,000 TONS BRINGING AT MOST \$250 MILLION IN OFFICIAL RECEIPTS.

6. COPPER: AS WE POINTED OUT IN REF B, ZAIRIAN COPPER SHIPMENTS FELL SHARPLY DURING THE SHABA WAR. SHIPMENTS IN MAY REBOUNDED SOMEWHAT TO 30,000 TONS, BRINGING THE TOTAL SHIPMENTS FOR THE YEAR
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TO ONLY 150,000 TONS. IF SHIPMENTS CONTINUE AT THIS RATE, COPPER EXPORTS FOR THE YEAR WOULD TOTAL ONLY 360,000 TONS. GECAMINES OFFICIALS HAVE CONSISTENTLY CLAIMED THAT THE WAR HAS NOT AFFECTED THEIR PRODUCTION. GOVERNOR SAMBWA, HOWEVER, HAS TOLD AMBASSADOR THAT GECAMINES HAS REVISED DOWNWARD ITS PRODUCTION ESTIMATES FROM 470,000 TO 450,000 TO 420,000 TONS. EVEN AT PRESENT LOW COPPER PRICES, A FALL OF 10,000 TONS IN COPPER EXPORTS IMPLIES A FOREIGN EXCHANGE LOSS OF ABOUT \$13 MILLION.

7. APART FROM UNCERTAINTIES REGARDING EXPORT VOLUME, PROSPECTS FOR COFFEE AND COPPER PRICES ARE FAR FROM CLEAR. AS RESULT OF FOREGOING FACTORS, EMBASSY CONCURS THAT MOST SENSIBLE PARIS CLUB COURSE OF ACTION WOULD BE TO RESCHEDULE FIRST SEMESTER PRINCIPAL AND INTEREST AND SECOND SEMESTER PRINCIPAL AND TO MEET AGAIN AFTER IMF SEPTEMBER REVIEW TO ASSESS GOZ PERFORMANCE AND DESIRABILITY OF FURTHER RESCHEDULING GIVEN BALANCE OF PAYMENTS PROSPECTS AT THAT TIME.
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